

Internal Revenue Service  
Director, Exempt Organizations  
Rulings and Agreements

Department of the Treasury  
P.O. Box 2508 - Room XXXX  
Cincinnati, Ohio 45201

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Employer Identification Number:

Person to Contact - ID#:  
Contact Telephone Numbers:  
Phone  
Fax

LEGEND

UIL 4945.04-04

B = Name of the organization  
C = Name of grant program  
D = Participating Schools  
E = Organization serving geographical area  
X = Amount of each grant

Dear :

We have considered your request for advance approval of your grant-making programs under section 4945 (g)(1) of the Internal Revenue Code, dated, May 5, 2008.

Our records indicate that the B was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that B will be awarding scholarships in the amount of x to students graduating from the following high schools: D. Students must reside in the geographical area serviced by the E. The name of the scholarship program is C. The specific criteria used to determine who is eligible for the program are students who demonstrate high academic achievement, personal responsibility and community involvement and who have a financial need. The applicant must be enrolled full-time in a degree program at an accredited educational institution and must maintain a 3.0 G.P.A or better. Payments will be made directly to the educational institution. The amount of x grants and the number of grants to individuals will be based primarily on financial need.

The scholarship program is publicized through high school principals and guidance counselors at the various participating high schools. The selection committee consists of the trustees of the Foundation. The trustees of the Foundation consist of one corporate trustee and three individual co-trustees who are members of the community and selected by the corporate trustee. Relatives of members of the selection committee or officers, directors or substantial contributors are not eligible for awards under the program.

The Foundation will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended

purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes and withhold further payments for benefit of grantees until assurance is obtained that future diversions will not occur and that the grantee will take extraordinary precautions to prevent future diversions from occurring.

The organization will maintain all records relating to individual grants including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant and undertake the supervision and investigation of grants.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your scholarship program will be conducted as proposed with objectivity and nondiscrimination in awarding grants, we determined that your procedures in awarding scholarship grants comply with the requirements of section 4945(g)(1) of the Code and that scholarships granted according to these procedures will not be "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your grant-making procedures is a one-time approval of your system standards and procedures that will result in grants which meet the requirements of section 4945(g)(1) of the Code. **This determination only covers the grant programs described above.** Thus, approval shall apply to succeeding grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director of Exempt Organizations  
Rulings and Agreements